



## **FACTS ABOUT SCHOOL FUNDING FREQUENTLY ASKED QUESTIONS**

SUMMER 2004

### **Isn't funding for school districts growing, since they will receive a 2 percent allowable growth in 2004-05?**

Although some districts will see an increase in funding for the next school year (primarily driven by enrollment), almost half will experience a decline in their regular program budgets. In 2004-05, three-fourths of all districts will see regular program budget growth of less than 2 percent; two-thirds of the districts' budgets will grow less than 1 percent. The growth in the regular program budgets is often viewed as a district's "new money."

### **Why do schools need more money if enrollment is declining?**

School districts are not able to adjust spending proportionate to enrollment declines, and budget growth has been very limited for several years due to low allowable growth rates. Certain costs continue to increase regardless of the number of students in a district and regardless of the allowable growth rate. Increases in costs of operating a district and providing educational programs happen independent of the legislatively established allowable growth rate.

Enrollment has declined approximately one-half of 1 percent per year since 2001-02; budgets (regular program, including the budget guarantee) have increased approximately 1.5 percent a year. However, expenses for staff health insurance, utility costs, and core programs have increased in excess of any growth. Without revenue increases, that scenario will continue for the next two years. As a result, class sizes and staffing ratios have been increasing, and programs for kids with special needs have been reduced. Vocational programs, fine arts programs, counselors, and technology have also been reduced.

### **Shouldn't a district reduce the number of teachers if enrollment is declining?**

A reduction in students does not always equate to a reduction in the need for classroom teachers. Take this example: A school district loses 12 students, two in each grade 1 - 6. Class sizes for each classroom still exceed 20 students, thus there is still a need for teachers in each of the grades even though the district has lost at least \$55,000 through the finance formula.

Schools need more teachers to help reduce class sizes and to provide targeted instruction to struggling students. Beginning with the 1999 school year, districts used Early Intervention Block Grant funding to invest almost \$120 million in these efforts through the 2003-04 school year, and we've seen gradual increases in the percent of students proficient in reading during that time. Although we have more students who are proficient readers, we still need to address achievement gaps between various groups of students, we need to improve student performance at the middle and high school levels, and we need to expand intervention efforts to more grades and more subject areas. We

must have quality teachers, as well as ongoing professional development and student assessments, if we want to continue to see improvements in student learning.

**K-12 schools already get 45.4 percent of the state budget (FY05). Don't they just need to be more efficient?**

If we benchmark Iowa with other states, we have the best return on investment in education. No other state has higher student achievement at a lower cost. In 2004, the American Legislative Exchange Council ranked Iowa as third in student achievement, 32nd in per pupil spending, and 38th in terms of teacher salaries.

The 45.4 percent is a significant amount that reflects the allowable growth across time, the state's longstanding commitment to equitable access to education, and considerable property tax relief that is provided through the finance formula. In recent years, FY02 to FY04, state foundation increased less than 1 percent. Between 2003-04 and 2004-05, foundation aid will grow approximately \$104 million (\$40 million for growth and the remainder due to the 2003-04 across-the-board state aid reduction, property tax relief, and taxable valuation changes).

The percent of the state's general fund going to K-12 funding has increased because general fund appropriations have declined. Since FY01, total general fund appropriations have declined by \$423 million; the "pie is shrinking" and thus the wedge is a higher percent of a smaller total.

**How can we afford revenue increases? Don't we need to keep taxes low to stay competitive?**

Again, let us look at our neighboring states. The only two states with higher student achievement are Wisconsin and Minnesota. Wisconsin spends 26 percent more per student and Minnesota spends 11 percent more per student. AND, even though their tax base is much broader than Iowa's since they already have modernized their tax structure to incorporate taxes on services, they still are able to attract lucrative businesses and their population has increased three to four times Iowa's rate of growth.

**The federal government says they've increased funding for schools. Can't we rely on them to help?**

The federal government has increased its funding to schools, although the increases have all but stagnated in the last several years. Federal funding contributes less than 4.4 percent of the total funding for education in Iowa, and we cannot rely on them to provide more. Federal funding is targeted and can only be used for specific purposes regardless of the needs of an individual school district. Increases in the regular program cost through allowable growth enable a district to basically use the funds where needs are the greatest with respect to the general operation of a district.

**The federal government says Iowa has almost \$40 million in unspent funds, so they don't need to allocate more. Is that true?**

No, it is not true. The federal government began making those claims in January to help stave off criticism for underfunding the No Child Left Behind (NCLB) Act. In truth, Iowa already has obligated all the funds being referenced and will spend all of them. Even though all of the money has not yet been "drawn down", in accordance with federal rules, we have 27 months in which to draw down those funds. We cannot draw down the cash until the funds have actually been expended. We have explained this to United States Department of Education (USDE) officials and federal policymakers, but federal officials continue to perpetuate the false claim regarding unspent funds.

**Since most counties have passed school infrastructure local option taxes (SILO), can't they use the sales tax money to pay for cost increases like benefits, salaries, utilities, and transportation?**

No. SILO can only be used for infrastructure and for some equipment purchases. Even these expenditures are limited by the ballot language at the time SILO was enacted and in no circumstances can SILO be used for general program expenses such as teacher salaries, utility costs, benefit increases or transportation.

**School district foundation aid increased by approximately \$104 million for the 2004-05 year. Isn't that a lot of new money? Why do schools need more?**

Much of this money goes to replacement of property taxes due to agricultural land revaluation, replacement of the across-the-board cut, and tax increment financing (TIF) growth. Only about \$40 million of the state's \$104 million increase are additional resources to support the education of children – the rest replaces property tax dollars that previously paid for these costs. Moreover, this \$40 million does not come close to covering cost increases districts experienced.

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